

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 OPIC-03 /066 W

----- 097737

P R 132003Z FEB 76

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC PRIORITY 3359

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

USDOC WASHDC

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E.O. 11652: N/A

TAGS : BEXP BR

SUBJECT : MAJOR PROJECTS - CSN HOT STRIP MILL

1. REPRESENTATIVES OF US STEELMAKING EQUIPMENT FIRMS WITH WHOM WE HAVE TALKED CONCUR THAT OPENING OF PRICE ENVELOPE ON FEB 18 FOR CSN HOT STRIP MILL PACKAGE WILL BE THE KEY INDICATOR OF HOW US FIRMS WILL FARE IN SIDERBRAS'S STAGE III EXPANSION PROGRAM. MESTA AND WEAN UNITED ARE BIDDING ON THE COMPLETE PACKAGE AND BLISS IS BIDDING ON SOME COMPONENTS. COMPLETE PACKAGE SHOULD BE WORTH ABOUT \$75 MILLION.

2. BASED ON RESULTS OF USIMINAS TEMPER MILL, JAPANESE (ISHIKAWAJIMA-MITSUBISHI CONSORTIUM ON CSN PACKAGE) ARE THOUGHT LIKELY TO COME IN LOWEST ON PRICE ON HOT STRIP MILL. IF SO, MAIN HOPE OF OTHER COMPETITORS IS THAT FINAL DECISION WILL TAKE INTO ACCOUNT ADDITIONAL FACTORS BEYOND PRICE AND FINANCIAL TERMS. MESTA, FOR EXAMPLE, HAS FORMED A CONSORTIUM WITH TWO OF BRAZIL'S LARGEST HEAVY EQUIPMENT MANUFACTURERS, (VILLARES AND BARDELLA) IN ORDER TO COMPLY WITH GOB DESIRES TO USE AS MUCH LOCAL CONTENT AS POSSIBLE. MESTA WELL-RECOGNIZES THAT PURSUING SUCH A COURSE MEANS A MUCH HIGHER PRICE ON THE

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PACKAGE. BUT MESTA HOPES THAT THE LOCAL INDUSTRIALISTS WILL

BE ABLE TO CONVINCE THE GOB THAT IT IS VITAL TO AWARD SOME PACKAGES TO THE BIDDERS WHO INCORPORATE SUBSTANTIAL LOCAL CONTENT, REGARDLESS OF PRICE. TOWARD THIS END, ABDID PRESIDENT CLAUDIO BARDELLA THIS WEEK CALLED ON MINISTER OF COMMERCE AND INDUSTRY TO DRIVE THE POINT HOME - AND ENSURE THAT SUITABLE PUBLICITY WAS CARRIED IN THE LOCAL PRESS. ON OTHER HAND, INDUSTRY HERE RECOGNIZES THAT IT WILL NOT BE EASY FOR THE GOB TO SWITCH HORSES IN MID-STREAM AND DROP THE WORLD BANK COMPETITIVE BIDDING GUIDELINES TO WHICH SIDERBRAS IS COMMITTED. AND, OF COURSE, SIDERBRAS AND ITS STEEL COMPANIES ARE ANXIOUS TO OBTAIN THE BEST POSSIBLE PRICES AND FINANCING.

3. EMBASSY MINERALS OFFICER WILL ATTEND ENVELOPE OPENING IN VOLTA REDONDA FEB 18 AND REPORT RESULTS, INCLUDING US INDUSTRY REACTIONS.
DEXTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976RIODE00690
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760057-0664
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760250/aaaabrue.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by SmithRJ>; APPROVED <14 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: : MAJOR PROJECTS - CSN HOT STRIP MILL
TAGS: BEXP, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006